SECRET PET 15 2 Libya (E)
Classification XR PET 6 Libya

Department of State 111060

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TELEGRAM

289

EXCISE

MAX, FISHER
J.C. O'DONNELL

B1, E3

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ACTION: Amembassy TRIPOLI

STATE [redacted]

LIMDIS

B1

1. [redacted]

B1

2. Re first item, Blake described Libyan oil situation as bleak, citing anti-American attitude of Maghrebi; recent sudden nationalization marketing assets in Libya; virtually certain Libyan desire obtain own source Libyan crude for LNOC; and possible Libyan economic action against US interests as result differences Middle Eastern situation.

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [redacted] DATE 8/10/
PORTIONS DENIED AS INDICATED

111060

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	APPROVED BY:
AF/N:JJBlake/RSSuddarth:sm	7/11/70	20455	AF/N - Mr. James Blake

CLEARANCES:
NEA - Mr. Sisco (draft)
E/FSE - Mr. Clark

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3. Assistant Secretary Sisco stated US interests Libya face great risk between now and December 1970 because certain actions USG may be required take with respect Middle Eastern situation which may cause Arab world to retaliate. Introduction of increased USSR force into area is a new factor superimposed on Middle Eastern situation to which we must give greater weight and which will require USG response. Nasser's May speech threatening Arab action against US interests, although perhaps part bluff, poses serious threat to US interests, particularly in Libya view Nasser-Qadhaafi personal relationship, radical Libyan predispositions, and absence significant USG leverage vis-a-vis Libya. Sisco noted that Egypt's success in running Suez Canal in 1956 in defiance "conventional

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wisdom" at that time might encourage Libyans to run nationalization risk. Libyan subsidy of UAR not rpt not believed carry countervailing weight against above factors, particularly since Libya might only suffer partial revenue reduction if it nationalized only part of industry.

4. [redacted] asked whether significant offer to LARG regarding posted price might ease situation. Blake indicated door obviously open view apparent stalemate following Maghrebi reaction to latest Esso and Oxy offers. Blake cautioned, however, that situation each company different, not only in Libya but worldwide. Moreover, any offer should be preceded by realistic assessment company's prospects in Libya over next three to five years. [redacted]

B4, B1

B1, B4

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agreed with Department assessment that European consumer countries would have strong propensity for continuing to import Libyan crude despite Libyan nationalization and possible marketing boycott by majors. [redacted] B4

Sisco suggested that [redacted] offer should, for psychological reasons, B1 be sufficiently large to be reasonable beginning point in negotiations and something which LARG could not reasonably dismiss.

5. [redacted]

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ACTION: Amembassy TRIPOLI

[redacted] B1

[redacted]

6. Comment: [redacted] B6

END

JOHNSON

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